



**Mellon Bank**

Mellon Bank, N. A.  
Mellon Bank Center  
Pittsburgh, PA 15259-0001

May 4, 1998

Cynthia L. Johnson  
Director, Cash Management Policy and Planning Division  
Financial Management Service, Room 420  
401 14th Street, S.W.  
Washington, DC 20227

Re: Department of the Treasury 31 CFR Part 210  
Federal Government Participation in the Automated Clearing House;  
Proposed Rule

Dear Ms. Johnson:

On behalf of itself and the affiliated entities of Mellon Bank Corporation, Mellon Bank, N.A. ("Mellon") appreciates the opportunity to provide comments to the Financial Management Service ("FMS") regarding its proposal to amend the regulations governing use of the Automated Clearing House ("ACH") by Federal agencies. Mellon readily supports the efforts of the FMS to increase the volume of ACH transactions involving Federal Agencies.

Mellon would like to take this opportunity to express its concerns with respect to one provision of the Proposed Rule and to respond to some of the other issues on which the FMS has solicited comment.

Proposed Section 210.8(a)

Mellon is most concerned with Proposed Section 210.8(a), which addresses an RDFI's obligations with respect to prenotifications. This proposed section specifies that an RDFI must verify that the account number and one other item of information in a prenotification entry both relate to the same account. In 1994, a number of RDFI's expressed concerns over such a proposed rule and articulated their concerns about the recipient's name being used as the sole example of another identifying element. Several RDFIs pointed out that manual processing would be required, to which the FMS responded that some RDFIs were working toward implementing system changes that would permit verification of recipient names.

Mellon wholeheartedly agrees with the concerns raised by RDFIs in 1994. As the number of government agencies required to initiate electronic payments increases, it will become increasingly difficult for RDFIs to ascertain which transactions are governmental and which are not. In the case of representative payees, it is unclear how an RDFI would verify the name field specifically. Moreover, considering the Year 2000 system and testing requirements, it is doubtful that many, if any, RDFIs would even be able to invest in a name-filtering system at this time.

If it is deemed to be absolutely essential for RDFIs to verify another identifying element, Mellon would recommend that the Service require all government agencies to put the recipients' Social Security Numbers in the Individual Id fields. RDFIs carry this information on their central reference files, and the

<b>FAX Memo</b>	No. of Pages: _____	<b>Mellon Bank</b>	
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ACH # 009

May 4, 1998  
Cynthia L. Johnson  
Page 2

consistent inclusion of Social Security Numbers would facilitate a more automated verification. This would help reduce the costs of processing a government item. It should be noted that if a reasonable automated solution cannot be implemented, the cost of receiving a government item would be higher than that of a commercial item; RDFIs would then need to be reimbursed for those government-specific expenses in some fashion. This would seem to conflict with the FMS's support for the cost savings which could and should be achieved by use of an all-electronic government payment system.

Vendor Payments and Reclamations

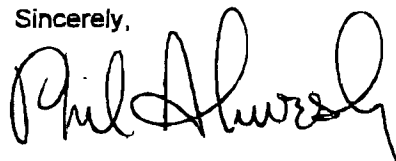
As part of the NPRM, the FMS requested comment on what factors contribute to the non-receipt of remittance data with respect to vendor payments. Mellon has offered EDI remittance data to our customers for several years. The most significant factor constricting our ability to provide our customers with remittance data is the non-compliance of Federal Agencies with ANSI standard addendum information. This is not unique to Mellon, as many other EDI-capable banks have experienced this problem. As RDFIs are required to make this information available, Mellon believes that Agencies should also be required to comply with NACHA ANSI standards.

The FMS also requested comment on simplifying the formula for allocating liability on reclamations and eliminating the manual processing requirements upon which the current reclamation process is based. One suggestion was that an RDFI should be liable for the amount of any post-death entries received, regardless of whether the RDFI had actual or constructive knowledge of the death. The FMS asserts that this would be a win/win situation, as the average number of payments involved in a reclamation is 1.5.

Mellon would agree to such liability for payments received within a one-year period, but would recommend that the Service continue the existing protections afforded to financial institutions by the limited liability provisions of Subpart B for payments received within the 1-6 year time frame. This would ensure that the Service is compensated quickly for the vast majority of payments, but would also provide RDFIs with some needed protections. Over time, this time period could be modified as is deemed practicable.

In short, Mellon would like to express its concurrence with the majority of changes proposed in the NPRM and its hope that the FMS will give due consideration to our comments during the preparation of the Final Rule.

Sincerely,



Philip C. Ahwesh  
Vice-President

PCA:mlj